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Snack Food Market in Canada

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Report Highlights:

There are outstanding opportunities for U.S. snack food manufacturers to take advantage of the comparative lack of variety in snack food products available to Canadian consumers. Canadian's are receptive to new and unique products.

Includes PSD changes: No
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Executive Summary

The Canadian consumer-level market for snack foods, as defined in this Report, is valued at approximately Cdn.\$3 billion and is growing at a compound annual rate of about 5.8%. After taking into account the profit margins within the snack food distribution channels, the corresponding manufacturers'-level market is valued at around Cdn \$1.7 billion. Imports account for 30% - 40% of manufacturers'-level sales, and imports from the United States account for 80% of all snack food imports.

There are several significant differences between the Canadian and U.S. snack food markets which any U.S. company that is considering exporting snack food products to Canada must recognize. Key among these are:

- Per capita consumption of snack food is lower in Canada than in the United States, so the Canadian market(s) is somewhat smaller than might be expected based on its population of nearly 32 million. However, since most of the same trends and influences that have generated the increased popularity of snacking in the United States also exist in Canada, Canadian per capita consumption can be expected to increase as well. Typically, Canadian consumers and Canadian markets follow trends established by American consumers and markets, but lag behind the United States.
- Canadian consumers have significantly fewer snack product-variety choices available to them than do U.S. consumers. The relatively sparse population density of Canada makes it more difficult for new products launched in Canada to achieve the "critical mass" necessary to justify their manufacturing, marketing, and distribution expenses on a stand-alone basis.
- Mass merchandisers and warehouse clubs are not yet as significant a factor on the Canadian retail scene as they are in the United States. Fully 2/3 of snack food purchases in Canada are made in food stores, whereas in the United States, only about 45% of consumers' snack food purchases are made in food stores.
- Within the borders of Canada, the purchasing power of the Canadian dollar is roughly equivalent to the U.S. dollar's purchasing power within the United States, even though in international trade transactions, the Canadian dollar is worth \pm \$0.64 U.S. dollars (as of November 2002). This means that a product which retails for \$1.00 in the United States might also retail for \$1.00 (Canadian) in Canada. Clearly, would-be American exporters to Canada must anticipate slim profit margins on their sales to Canada.

In the environment described above, there is an outstanding opportunity for American snack food manufacturers to take advantage of the comparative lack of variety in the snack food products available to Canadian consumers. Specifically, this can be achieved by exporting a product/flavor(s) which is already being sold in the United States in economically viable quantities, but is not available in Canada. The viability of this strategy is predicated on the following underlying assumptions:

1. Fixed manufacturing costs are fully absorbed by pre-existing sales within the United States, so that export sales to Canada can be viewed as incremental business; i.e. profitable as long as sales revenues exceed variable costs.
2. Canadian market demand for the newly introduced product/flavor(s) will be insufficient, at least initially,

to attract competition from Canadian manufacturers.

3. The product/flavor's track record in the United States, together with its "uniqueness" will be important factors in achieving distribution.

Introduction

In Canada, as in the United States, recent years have seen two major trends competing for dominance:

1. healthier eating, driven by the medical community, and characterized by an increased consumption of chicken, vegetables, fruits, smaller portions, less red meat, etc.
2. increased snacking, driven by the busy, on-the-go life style that is more-and-more the norm, and characterized by a re-definition of what constitutes a meal (grazing) and what constitutes snack food.

While this Report focuses primarily on traditional snack foods, it must be acknowledged that the trends cited above have spawned a proliferation of new products and categories that comprise the so-called extended snack food market. The following Table is intended to define what products and product categories are included in this Report, and, at the same time, to highlight some of the items that might have been included, had a less traditional definition of snack foods been chosen:

Product or Category	Included in this Report or Category	Not included in this Report or Category
Salty Snacks	corn chips & similar (including tortilla, tostada chips), cheese snacks, pretzels, potato Chips & sticks, popcorn	candied snack foods, chips made from vegetables or fruit, party mix, multi/variety packs
Baked Snacks	cookies/graham wafers, snack crackers, soda crackers, rusks, crisp breads, etc., pizza snacks	muffin bars, cereal bars, granola snacks, energy bars, rice/corn cakes, toaster pastries, pizza meals
Snack Nuts	snack nuts, often included with salty snacks, have been categorized separately	unshelled nuts, baking nuts, nuts used in manufacturing of, e.g. peanut butter
Snack Foods NES ¹	sunflower seeds, meat snacks, pork rinds, all others (including, e.g. party mix, multi/variety packs)	products traditionally classified as candy
Extended Category	None	compartment snacks, dried fruit, fruit snacks, RTS snack puddings, single serve fruit & apple sauce, snack meals, dairy snacks, jelly snacks

The consumer expenditure data provided in this Report draws heavily on information obtained from A.C. Nielsen (particularly for food stores and drug stores), and L.B.C. Consulting Services estimates. Import data was purchased from Statistics Canada. Snack food industry experts from the Canadian Snack Food Association

¹ NES: Not elsewhere specified

and the Food Bureau of Agriculture Canada provided both published and unpublished statistical information, as well as guidance and the benefit of their opinion. The annual State of the Industry Report, produced jointly by the American Snack Food Association and Snack Food & Wholesale Bakery Magazine was also consulted. Historical data was used to develop forecasts for the Year 2002 using Microsoft Excel's *trend* worksheet function. Alternatively, where information for part of the year was available, straight line extrapolations were used to derive the 2002 forecast (2002 FC).

Appendix A of this Report contains a data sheet for most of the individual products or groups of products that have been grouped into one of the four main categories described in the preceding Table for general analysis purposes.

Market Overview

Overview of Canadian Snack Food Market by Type of Snack (Cdn. \$ millions)

Snack Grand Total	1998	1999	2000	2001	2002 FC*	CGR* %
Salty Snacks	\$875	\$947	\$1,009	\$1,071	\$1,153	7.1%
Baked Snacks	\$1,136	\$1,185	\$1,230	\$1,270	\$1,312	3.7%
Snack Nuts	\$160	\$170	\$185	\$200	\$215	7.7%
Snack Foods NES*	\$241	\$267	\$297	\$318	\$344	9.3%
All Snacks Total	\$2,412	\$2,569	\$2,721	\$2,859	\$3,024	5.8%
Year-to-Year Growth		6.5%	5.9%	5.1%	5.8%	
Market Share						
Salty Snacks	36%	37%	37%	37%	38%	
Baked Snacks	47%	46%	45%	44%	43%	
Snack Nuts	7%	7%	7%	7%	7%	
Snack Foods NES*	10%	10%	11%	11%	11%	
All Snacks Total	100%	100%	100%	100%	100%	

The salty and baked snack categories, together, represent more than 80% of the total Canadian snack food market at the consumer level. The salty snack category is growing at a compound annual rate (CGR) of more than 7%, which is nearly twice as quickly as the baked snack category is growing. As a result, baked snacks have lost share to salty snacks over the course of the past 5 years, and at the current rates of growth, sales of salty snacks will exceed those of baked snacks in Year 2006.

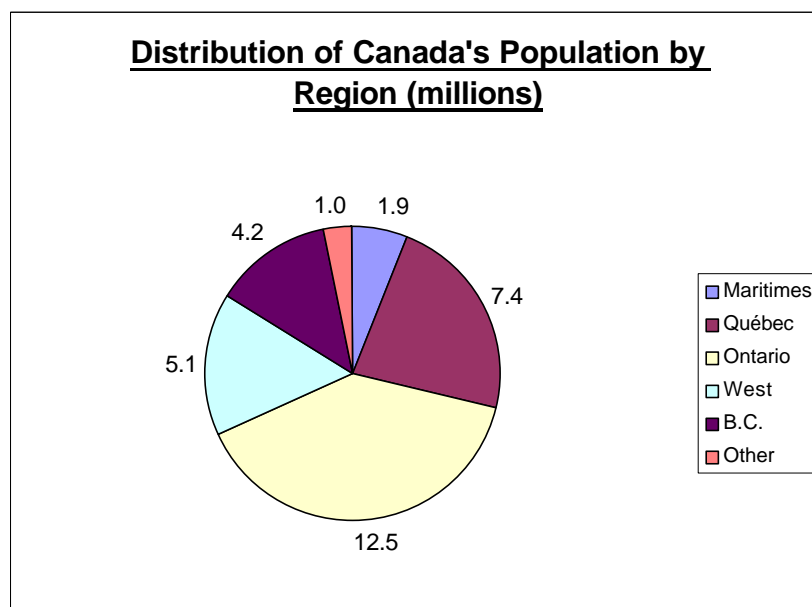
The snack nuts category (about 7% of the market), and the snack foods NES category (about 11% of the market), are both experiencing high sustained rates of growth of 7.7% and 9.3% respectively. The high growth rate of the snack food NES category is attributable to meat snacks (beef jerky) and pork rinds, which have been exhibiting double-digit growth rates.

* The following abbreviations are used in this and subsequent Tables, as well as in the text:
FC=forecast, CGR=compound growth rate, NES=not elsewhere specified

Overview of the Canadian Snack Food Market by Distribution Outlet (Cdn. \$ millions)

Snack Grand Total	1998	1999	2000	2001	2002 FC	CGR %
Food Stores	\$1,592	\$1,698	\$1,802	\$1,909	\$2,033	6.3%
Pharmacies	\$109	\$120	\$131	\$140	\$150	8.2%
Convenience Stores	\$298	\$324	\$348	\$367	\$390	6.9%
All Other Outlets	\$413	\$428	\$440	\$444	\$450	2.2%
All Outlets Total	\$2,412	\$2,569	\$2,721	\$2,859	\$3,024	5.8%
Year-to-Year Growth		6.5%	5.9%	5.1%	5.8%	
Market Share						
Food Stores	66%	66%	66%	67%	67%	
Pharmacies	5%	5%	5%	5%	5%	
Convenience Stores	12%	13%	13%	13%	13%	
All Other Outlets	17%	17%	16%	16%	15%	
All Outlets Total	100%	100%	100%	100%	100%	

67% of all snack food purchases are made in food stores. "All other" outlets, a category which includes e.g. vending machines, service stations, video stores & theatres, mass merchandisers, wholesale club stores, etc., account for 15% of consumer snack food purchases, but growth of sales through these outlets has been slower than the growth in sales through pharmacies, convenience stores or food stores. However, this situation may be expected to change as mass merchandisers and warehouse clubs become better established in Canada (Wal-Mart is a relative newcomer to Canada!).



Most of the outlets categorized above are represented in Canada's regions in roughly the same proportions as the population²:

² Québec and the Maritime Provinces tend to be over-represented, having comparatively more small stores

Food Stores

There are approximately 19,000 food stores in Canada, of which only about 1,500 are supermarkets. Supermarkets nevertheless capture about 2/3 of total food store spending. Most food stores belong to the Canadian Council of Grocery Distributors (CCGD). The web site for the association is: www.ccgd.ca

Selling and distributing to food/grocery/club stores in Canada is carried out the same way as in the United States. Sales staff or food brokers must first arrange to meet the buyers. Then, the sales person presents the product and, if accepted, the manufacturer must pay slotting fees for shelf space, advertising and promotions on a per product basis - all in advance. Purchase orders are placed. Then the manufacturer must arrange for “just in time” delivery to the retailers’ distribution center(s). If the product does not sell well after a certain trial period (set by the retailer), it will be de-listed. No product is returned but it is expected that invoices will be credited accordingly. Slotting fees will not be refunded.

Wholesale distribution centers handle product for independent grocers. This link in the channel of distribution is increasing in popularity, as electronic communications and e-commerce prove to be both inexpensive and effective.

In a typical supermarket, about 20% of the total shelf space devoted to snack foods is utilized for the store’s house brand(s), 20% is taken up by unbranded products, and 60% is allocated to branded products. While there is a definite trend to longer opening hours in Canada, it is still unusual to find supermarkets that are open 24-7, and the norm for food stores in general is to be open Saturday through Wednesday from 9:00 AM to 6:00 PM, Thursday and Friday from 09:00 AM to 9:00 PM.

Pharmacies

Canada has about 7,500 pharmacies. Pharmacies often have their own house brands of snack food, but unlike food stores, tend not to carry unbranded snack food products. Approximately 70% - 80% of the shelf space allocated to snack foods in pharmacies is for branded merchandise.

Inasmuch as pharmacies are primarily in the “drug” business, there are both national and regional wholesalers

and distributors, both pharmacy-owned and independent, that specialize in supplying these outlets (retailers' distribution centers).

Pharmacies generally keep longer opening hours than food stores, and tend to charge prices for snack food items that are somewhat higher than food store prices.

Convenience Stores

There are approximately 10,000 convenience stores in Canada. Convenience stores generally stock only branded snack food products. Most convenience stores are open every day from 8:00 AM until midnight, and many are open 24-7. Prices are significantly higher than food store prices. Convenience stores are generally supplied by smaller, independent, retailers' distribution centers with a highly regional focus.

All Other Outlets

This category of retail outlet for snack foods is too diverse in nature to allow for quantification of the number of outlets or any meaningful generalizations. The category includes such dissimilar outlets as canteens, mass merchandisers, service stations, theaters, vending machines, video stores, wholesale club stores. Each category may be expected to have its own distribution channel "quirks".

Overview of Canadian Snack Food Imports by Snack Category and Source (Cdn. \$ millions)

Description	Imports	1998	1999	2000	2001	8 Mos 02	2002 FC	CGR %
Salty Snacks	USA	\$153	\$158	\$159	\$189	\$148	\$222	10.1%
	ROW	\$4	\$2	\$3	\$4	\$2	\$3	2.2%
	Total	\$156	\$161	\$162	\$192	\$150	\$225	9.8%
Baked Snacks	USA	\$165	\$181	\$214	\$249	\$173	\$260	12.2%
	ROW	\$92	\$92	\$96	\$104	\$66	\$100	2.1%
	Total	\$257	\$274	\$310	\$353	\$240	\$359	8.9%
Snack Nuts	USA	\$227	\$232	\$244	\$234	\$151	\$226	-0.1%
	ROW	\$77	\$83	\$72	\$98	\$50	\$76	1.9%
	Total	\$304	\$315	\$316	\$332	\$201	\$301	-0.1%
Total	USA	\$544	\$572	\$617	\$672	\$471	\$707	6.8%
	ROW	\$173	\$177	\$171	\$205	\$119	\$179	1.5%
	Total	\$717	\$749	\$788	\$877	\$590	\$886	5.5%
Share of:	Imports	1998	1999	2000	2001	8 Mos 02	2002 FC	
Salty Snacks	USA	98%	99%	98%	98%	98%	98%	
	ROW	2%	1%	2%	2%	2%	2%	
	Total	100%	100%	100%	100%	100%	100%	
Baked Snacks	USA	64%	66%	69%	71%	72%	72%	
	ROW	36%	34%	31%	29%	28%	28%	
	Total	100%	100%	100%	100%	100%	100%	
Snack Nuts	USA	75%	74%	77%	70%	75%	75%	
	ROW	25%	26%	23%	30%	25%	25%	
	Total	100%	100%	100%	100%	100%	100%	
Total	USA	76%	76%	78%	77%	80%	80%	
	ROW	24%	24%	22%	23%	20%	20%	
	Total	100%	100%	100%	100%	100%	100%	

In aggregate, imports from the United States account for 80% of all of Canada's snack food imports while all other countries combined (ROW, Rest-Of-World) account for only 20%.

American exporting companies dominate the Canadian import market for salty snacks, holding a composite market share of 98% for the past 5 years. As might be expected, given the close affiliation³ of many Canadian

³ Often a U.S. parent company and a Canadian manufacturing subsidiary

snack food manufacturers with U.S. firms, almost all of the new snack food products/flavors that are introduced in Canada have first been sold in the United States. It is primarily for this reason that the growth imports of salty snacks from the U.S. (10.1%) exceeds the rate of growth of the market as a whole (7.1%).

American exporting companies hold a 72% share of the Canadian import market for baked snacks. Unfortunately, it is not possible to differentiate between imports of pizza snacks and imports of pizza meals (same Harmonized System Code), with the result that the import data for the baked snack category is overstated by about \$60 million. A rough calculation is that removing pizza dinners from the import numbers would reduce the compound annual growth rate of imports from the United States to 9.4%, but would have no effect on market share.

Similarly, the HS Codes are not precise enough to allow for differentiation of snack nuts from baking nuts, let alone from nuts imported for use in manufacturing of e.g. peanut butter. Based on the size of the snack nut category at retail, and considering the margins of the distribution channel participants; it appears that approximately 2/3 of the value of these imports are for purposes other than snack food. However, U.S. exporters do hold a commanding 75% share of all nuts imported into Canada. Interestingly, the growth in nut imports is negligible, while at the consumer level, snack nuts sales are experiencing appreciable growth. This anomaly suggests that sales of products such as peanut butter which are manufactured from nuts may be in decline⁴.

It has not been possible to identify specific HS codes for most of the products in the category “Snack Foods NES”. Consequently, import data for the category is not presented in the preceding Table, although one would expect imports in this category for 2002 to be about \$68 million.

In summary, the import data should be adjusted prior to calculating the contribution of imports to sales at the manufacturers’ level. The following Table presents the scenario if one were to assume that 100% of imports are sold “untransformed” to consumers⁵:

⁴ Although, admittedly, there may be other explanations related to mark-ups and pricing

⁵ Obviously, some imports are re-sold by Canadian manufacturers after “value-add” operations

2002 Forecast	Salty Snacks	Baked Snacks	Snack Nuts	Snacks NES	Snacks Total
2002 FC Retail Sales	\$1,153	\$1,312	\$215	\$344	\$3,024
Est. Manufacturers' -Level Sales	\$649	\$738	\$121	\$194	\$1,701
Canada Imports from All Countries	\$225	\$359	\$301	\$0	\$885
Adjustments to Import Data		(\$60)	(\$190)	\$68	(\$182)
Net Imports	\$225	\$299	\$111	\$68	\$703
Import % of Manufacturers' Sales	35%	41%	92%	35%	41%
Adjusted Imports from U.S.A.	\$222	\$200	\$84	\$54	\$560
U.S. Market Share	34%	27%	69%	28%	33%
Adjusted Imports from ROW	\$3	\$99	\$28	\$14	\$143
ROW Market Share	0%	13%	23%	7%	8%
Sales of Canadian mfg. products	\$424	\$439	\$10	\$126	\$998
Locally-mfg. products Market Share	65%	59%	8%	65%	59%

Manufacturing in Canada

There are approximately 30 companies with 40 manufacturing plants in Canada that manufacture salty snacks. As for baked snacks, there are about 150 facilities that manufacture cookies and crackers. Nuts are only packaged in Canada. The domestic manufacturing situation is described in an Agriculture & Agri-Food Canada⁶ Industry sub-sector profile entitled "The Canadian Snack Food Industry"⁷, as follows:

"The majority of manufacturing takes place in Ontario and Québec, but there are large plants in western Canada and the Maritimes. There are also many small and medium-sized Canadian-owned firms located across the country, serving regional markets. Production facilities range in size from small, one-or-two person operations to large plants employing up to 550 people. (Some) . . . of the major manufacturers (sales over \$100 million) are foreign-owned."

"Key commodity inputs needed to make snack food products include potatoes, corn, cereal grains, cheese, oils, and seasonings. The bulk of raw inputs for this industry, potatoes and oil, are supplied domestically. However, cornmeal, (nuts), and some specialty oils are imported, mostly from the U.S."

"The cost of inputs for snack food manufacturers varies depending upon the type of snack produced. Raw material costs for potato chip manufacturers (potatoes, oils, seasonings) are estimated to be 45% of total input costs, while for tortilla chip manufacturers, raw material

⁶ A Department of the Canadian Government

⁷ http://www.agr.gc.ca/food/profiles/snackfood/snackfood_e.html

costs are estimated to be 30% (cornmeal, oils, seasonings), and for manufacturers of popcorn, raw material costs are estimated to be 22% (corn, seasonings). Packaging costs for the snack food industry are estimated to be 36% of total input costs.”

“Except for those plants which import raw materials, production tends to be located within one or two hours of raw input supplies. However, during the off-season, potato chip manufacturers can use potatoes imported from North Carolina, Virginia or Florida.”

“Competition in the snack food industry is fierce, due in part to the impulse nature of many snack purchasing decisions. Competition is primarily based on branding, advertising and promotion, effective distribution, product quality, health claims, and price. However, because brand loyalty is relatively low, shelf image is an important consideration and promotion plays a significant and ongoing role, especially among the larger firms.”

“Large firms in the industry tend to be capital intensive and many plants employ state-of-the-art equipment. Smaller firms can enter the market with specialty products and serve a regional market. However, they are more likely to use older equipment and more labor.”

Salty Snacks

Overview of Canadian Salty Snack Segment by Type of Snack (Cdn. \$ millions)

Salty Snack Segment	1998	1999	2000	2001	2002 FC	CGR %
Corn Chips & Similar	\$270	\$295	\$315	\$335	\$365	7.8%
Cheese Snacks	\$70	\$80	\$85	\$90	\$100	9.4%
Pretzels	\$60	\$62	\$64	\$66	\$68	3.2%
Potato Chips & Sticks	\$375	\$400	\$425	\$455	\$490	6.9%
Popcorn	\$100	\$110	\$120	\$125	\$130	6.8%
Market Segment Total	\$875	\$947	\$1,009	\$1,071	\$1,153	7.1%
Year-to-Year Growth		8.2%	6.5%	6.1%	7.7%	
Market Share						
Corn Chips & Similar	30.9%	31.2%	31.2%	31.3%	31.7%	
Cheese Snacks	8.0%	8.4%	8.4%	8.4%	8.7%	
Pretzels	6.9%	6.5%	6.3%	6.2%	5.9%	
Potato Chips & Sticks	42.9%	42.2%	42.1%	42.5%	42.5%	
Popcorn	11.4%	11.6%	11.9%	11.7%	11.3%	
Market Segment Total	100.0%	100.0%	100.0%	100.0%	100.0%	

As might be expected, potato chips and sticks dominate the salty snacks category (43%), followed by corn chips and similar savory snack items (including tortilla/tostada chips) with 32%. Cheese snacks are the fastest growing category, reflecting the successful introduction of new shapes and sizes of cheese-flavored extruded snacks. Pretzels are both the smallest category, and the slowest growing category, although there are some recent signs of renewed promotional activity in support of pretzels brands. All in all, with estimated 2002 sales of more than Cdn. \$1.15 billion and growth exceeding 7% per annum, salty snacks are showing no signs of waning in popularity.

Overview of Canadian Salty Snack Segment by Distribution Outlet (Cdn. \$ millions)

Salty Snack Segment	1998	1999	2000	2001	2002 FC	CGR %
Food Stores	\$535	\$579	\$615	\$654	\$700	7.0%
Pharmacies	\$59	\$65	\$73	\$78	\$86	9.8%
Convenience Stores	\$128	\$141	\$150	\$165	\$183	9.5%
All Other Outlets	\$153	\$162	\$171	\$173	\$183	4.7%
Market Segment Total	\$875	\$947	\$1,009	\$1,071	\$1,153	7.2%
Year-to-Year Growth		8.2%	6.5%	6.2%	7.7%	
Market Share						
Food Stores	61.2%	61.2%	61.0%	61.1%	60.7%	
Pharmacies	6.8%	6.9%	7.3%	7.3%	7.5%	
Convenience Stores	14.6%	14.9%	14.8%	15.4%	15.9%	
All Other Outlets	17.5%	17.1%	16.9%	16.2%	15.9%	
Market Segment Total	100.0%	100.0%	100.0%	100.0%	100.0%	

In terms of their distribution, about 60% of salty snacks are sold in food stores. However, pharmacy and convenience store sales are increasing at a faster rate than sales through food stores. This phenomenon is primarily related to the fact that, in Canada at least, many food stores still operate on a more restrictive schedule of opening hours than do pharmacies and convenience stores; at the same time as more-and-more people are working longer hours, on shifts, or irregular hours (e.g. home workers, telecommuters).

Snack Nuts**Overview of Canadian Snack Nut Segment by Distribution Outlet (Cdn. \$ millions)**

Snack Nuts	1998	1999	2000	2001	2002 FC	CGR %
Food Stores	\$45	\$52	\$62	\$70	\$80	15.5%
Pharmacies	\$10	\$11	\$10	\$12	\$14	8.5%
Convenience Stores	\$24	\$26	\$28	\$29	\$31	6.9%
All Other Outlets	\$82	\$81	\$84	\$89	\$90	2.6%
Market Total	\$160	\$170	\$185	\$200	\$215	7.6%
Year-to-Year Growth		5.9%	8.9%	8.3%	7.3%	
Market Share						
Food Stores	28.1%	30.5%	33.6%	34.9%	37.2%	
Pharmacies	6.1%	6.4%	5.7%	6.1%	6.3%	
Convenience Stores	14.9%	15.2%	15.1%	14.7%	14.5%	
All Other Outlets	50.9%	47.9%	45.7%	44.3%	42.0%	
Market Total	100.0%	100.0%	100.0%	100.0%	100.0%	

For purposes of this Report, snack nuts have been given their own category, primarily in order to isolate the

problem of overstated import data as discussed previously, in the Section dealing with Imports by Snack Category and Source. Otherwise, snack nuts would have been combined with other products and included as e.g. one of the product groups which comprise the salty snacks category.

Baked Snacks

Overview of Canadian Baked Snack Segment by Type of Snack (Cdn. \$ millions)

Baked Snack Segment	1998	1999	2000	2001	2002 FC	CGR %
Cookies/Graham wafers	\$635	\$655	\$676	\$687	\$696	2.3%
Snack Crackers	\$293	\$314	\$330	\$350	\$373	6.2%
Soda Crackers	\$87	\$86	\$84	\$82	\$81	-1.9%
Rusks, Crispbreads, etc.	\$40	\$41	\$41	\$42	\$43	2.0%
Pizza Snacks	\$81	\$89	\$98	\$108	\$119	10.0%
Market Segment Total	\$1,136	\$1,185	\$1,230	\$1,270	\$1,312	3.7%
Year-to-Year Growth		4.3%	3.8%	3.3%	3.3%	
Market Share						
Snack Crackers	25.8%	26.5%	26.8%	27.6%	28.5%	
Soda Crackers	7.7%	7.3%	6.8%	6.5%	6.2%	
Rusks, Crispbreads, etc.	3.5%	3.4%	3.4%	3.3%	3.3%	
Pizza Snacks	7.1%	7.5%	8.0%	8.5%	9.0%	
Market Segment Total	100.0%	100.0%	99.9%	100.0%	100.0%	

In contrast with salty snacks, baked snacks are growing by less than 4% per year, and without the contribution of pizza snacks, the category's growth would be about 3%. Cookies, wafers, soda biscuits, rusks, dry breads, crispbreads, gingerbreads, etc. are barely averaging 2% growth. Snack crackers are faring better (with about 6% growth), but their growth appears to be fueled primarily by high-end imports from the UK and Italy.

Overview of Canadian Baked Snack Segment by Distribution Outlet (Cdn. \$ millions)

Baked Snack Segment	1998	1999	2000	2001	2002 FC	CGR %
Food Stores	\$921	\$958	\$981	\$1,016	\$1,055	3.5%
Pharmacies	\$19	\$21	\$24	\$25	\$26	8.3%
Convenience Stores	\$92	\$99	\$111	\$114	\$117	6.2%
All Other Outlets	\$103	\$107	\$114	\$115	\$113	2.4%
Market Segment Total	\$1,136	\$1,185	\$1,230	\$1,270	\$1,312	3.7%
Year-to-Year Growth		4.3%	3.8%	3.3%	3.3%	
Market Share						
Food Stores	81.1%	80.9%	79.7%	80.0%	80.5%	
Pharmacies	1.7%	1.8%	1.9%	2.0%	2.0%	
Convenience Stores	8.1%	8.3%	9.1%	9.0%	8.9%	
All Other Outlets	9.1%	9.0%	9.3%	9.1%	8.6%	
Market Segment Total	100.0%	100.0%	100.0%	100.0%	100.0%	

More than 80% of baked snack purchases are made in food stores. The share of sales that each category of outlet controls is relatively stable. Pharmacies have experienced the highest growth rate in sales (8.3%), but they command such a low market share (2%) that such a trend is insignificant.

Snack Foods NES**Overview of Canadian Snack Food NES Segment by Type of Snack (Cdn. \$ millions)**

Snack Foods NES	1998	1999	2000	2001	2002 FC	CGR %
Sunflower Seeds	\$6	\$7	\$7	\$8	\$9	10.9%
Meat Snacks	\$50	\$70	\$95	\$110	\$130	27.4%
Pork Rinds	\$15	\$20	\$25	\$30	\$35	23.8%
All Others	\$170	\$170	\$170	\$170	\$170	0.0%
Total	\$241	\$267	\$297	\$318	\$344	9.3%
Year-to-Year Growth		10.7%	11.2%	7.0%	8.2%	
Market Share						
Sunflower Seeds	2.5%	2.6%	2.4%	2.5%	2.6%	
Meat Snacks	20.7%	26.2%	32.0%	34.6%	37.8%	
Pork Rinds	6.2%	7.5%	8.4%	9.4%	10.2%	
All Others	70.5%	63.7%	57.2%	53.5%	49.4%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	

The big story in this category is meat snacks and pork rinds, which are experiencing double-digit growth rates. American companies such as Bridgford Foods have done a great job of introducing beef jerky to Canadian consumers, and pork rinds are likewise becoming popular. Yet so far, these snacks are only about 50% as

popular with Canadian consumers as they are with American consumers, so there is no reason to expect a leveling-off in the near future.

Overview of Canadian Snack Food NES Segment by Distribution Outlet (Cdn. \$ millions)

Snack Foods NES	1998	1999	2000	2001	2002 FC	CGR %
Food Stores	\$91	\$108	\$144	\$169	\$198	21.6%
Pharmacies	\$21	\$23	\$24	\$24	\$24	3.5%
Convenience Stores	\$54	\$58	\$59	\$59	\$59	1.9%
All Other Outlets	\$75	\$78	\$70	\$67	\$63	-4.0%
Market Total	\$241	\$267	\$297	\$318	\$344	9.3%
Year-to-Year Growth		10.7%	11.2%	7.0%	8.2%	
Market Share						
Food Stores	37.7%	40.6%	48.5%	53.1%	57.6%	
Pharmacies	8.7%	8.5%	7.9%	7.5%	7.0%	
Convenience Stores	22.5%	21.8%	19.9%	18.5%	17.0%	
All Other Outlets	31.1%	29.1%	23.7%	20.9%	18.5%	
Market Total	100.0%	100.0%	100.0%	100.0%	100.0%	

Food stores account for approaching 60% of the Snack Food NES category sales, and by far the strongest growth by type of outlet. American marketers of beef jerky and pork rind products have elected to focus their efforts on food stores, and the contribution of these products (efforts) alone to food store sales is responsible for the high rate of sales growth of snack foods NES through these outlets.

Distribution Channels

Channel Players and their Roles

In general terms, Canadian snack food distribution channels are similar to those in the United States; the most important difference being that the distribution system is more structured and effective in the United States than in Canada. In Canada's less-structured distribution environment, there are both traditional wholesalers, distributors, and food brokers, as well as many hybrid organizations that defy specific characterization.

Manufacturers carry out the traditional functions of manufacturing, packaging, shipping and marketing. Canadian manufacturers will sometimes import from the United States. Examples include:

- formulas and knowhow imports, for use in manufacturing
- bulk material imports of products such as nuts, for re-packaging
- finished goods imports of low volume products, where volumes do not warrant local manufacturing

The term "importer" can be used to mean anyone who imports a product, or as a term to differentiate a company that does not manufacture from one that does. Importers, in this narrower sense of the word, often carry out packaging, shipping, and/or marketing functions for foreign manufacturers.

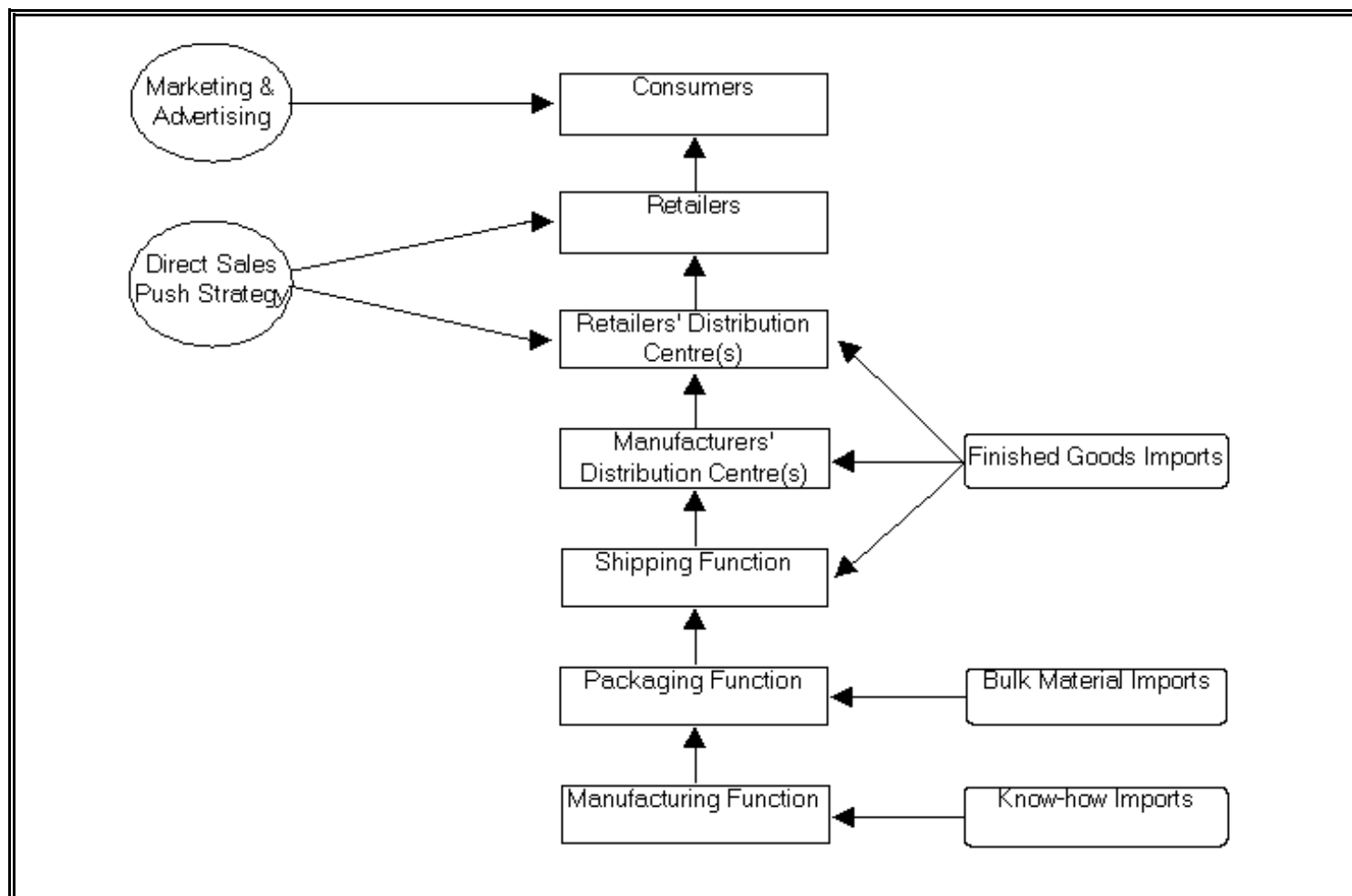
The primary role of brokers is to provide the direct (personal) selling effort which “pushes” product into the retailers’ distribution center(s) and stores. Brokers may also provide promotion, category management and other, marketing-related services. Brokers add value because of their knowledge of local markets, and because they often handle all of the outlets in their particular area or region of concentration. Most brokerage houses do not take title to the product, but some Canadian brokers have integrated to the point where they handle certain of, or even all of the services traditionally provided by distributors and/or wholesalers.

Distributors are the key logistical link in the distribution chain, acting as the manufacturers’ distribution center(s), warehousing and delivering products to the retailers’ distribution center(s). Depending on the type of product and/or the region, distributors may deliver direct to retailers. Distributors are usually classified as full-service (broad liners), carrying a variety of products, niche distributors (short liners) specializing in a few product lines, and system specialists. Wholesalers offer essentially the same services as distributors do, but differ from the latter by taking title to (actually buying) the goods and re-selling them.

There are also distributors/wholesalers who function as the retailers’ distribution center(s), and whose primary function is to deliver products to retailers. Distributors of this type may be owned by e.g. a retail chain, or they may represent a group buying consortium, or they may (less often) be independent. Buying decisions are often made at this level, by buyers who are physically located at the retailers’ distribution center(s). It is common for retail distributors to compete with traditional distributors by buying direct from manufacturers or importers.

The overall distribution situation, including the points of entry for foreign-manufactured products, is summarized in the following diagram:

Distribution Channel Functional Diagram



In the preceding diagram, which identifies the various functions involved in creating and moving products through the channel from manufacturing to the consumer, one can generalize a relationship between price and volume as follows:

As the price increases in each custody transfer transaction in the distribution channel from manufacturing through to the consumer, the volume of goods involved decreases. Accordingly, an American exporter can expect that the higher up the distribution chain his product enters the Canadian market, the higher the payment he will receive for that product, but the lower the volume will be.

Problems

While there are a number of fairly standard requirements⁸ that must be met before a U.S. snack food manufacturer can realize sales and profits from the Canadian market, the foreign exchange situation is a major problem. With the Canadian dollar valued at less than 65¢ U.S., profits earned in Canada are very slim after repatriation and currency conversion. Generally speaking, channel mark-ups and pricing in the Canadian market are comparable to those in the United States; except that the currency involved is the Canadian dollar. In other words, the 35% devaluation extends throughout the channel, an effect best visualized by imagining all sales and commission transactions in the U.S. supply chain, from manufacturer to consumer, taking place at 65¢ on the dollar. This scenario works fine, as long as costs are also 35% less, as they generally are for Canadian-based manufacturers. But for American exporting companies, expenses and costs paid for in U.S. dollars are offset by revenues realized in Canadian dollars. Thus the Canadian market is generally unattractive to an American manufacturer unless it is possible to sell snack food “X” for a premium price, or to view Canada as a source of *incremental contribution margin*, or both.

The following Table presents two views on the economic viability of exporting to Canada from the United States. In the first Scenario, we look at and compare the two markets at four different levels of profitability on a \$100 sale. In the second Scenario we look at the same basic analysis, but assuming fixed overheads comprise 25% of costs and that these overhead costs are covered by sales in the United States:

⁸ Such as complying with regulations (labeling, etc.), establishing distribution, marketing. Subsequent sections of this Report will discuss how to meet these requirements.

	Scenario #1		Scenario #2	
	US Market	Cdn Market	US Market	Cdn Market
Sales	\$100	\$65	\$100	\$65
<u>Assuming 20% Margin</u>				
Fixed Costs			\$20	\$0
Variable Costs			\$60	\$60
Total Costs	\$80	\$80	\$80	\$60
Profit	\$20	(\$15)	\$20	\$5
<u>Assuming 30% Margin</u>				
Fixed Costs			\$18	\$0
Variable Costs			\$53	\$53
Total Costs	\$70	\$70	\$70	\$53
Profit	\$30	(\$5)	\$30	\$13
<u>Assuming 40% Margin</u>				
Fixed Costs			\$15	\$0
Variable Costs			\$45	\$45
Total Costs	\$60	\$60	\$60	\$45
Profit	\$40	\$5	\$40	\$20
<u>Assuming 50% Margin</u>				
Fixed Costs			\$13	\$0
Variable Costs			\$38	\$38
Total Costs	\$50	\$50	\$50	\$38
Profit	\$50	\$15	\$50	\$28

As the foregoing Table clearly illustrates, the problem that Canada's weak currency presents to would-be American exporters can, in certain circumstances, be overcome.

Opportunities

The Canadian market for snack foods is characterized by consumers that are very similar in profile to U.S. consumers, but do not have access to the diversity of selection that U.S. consumers have. While many, if not most, of the leading brands and flavor varieties that are available in the United States are also available in Canada; few, if any, of the vast number of highly-innovative products/flavors that have managed to establish a niche market position in the U.S. ever reach the Canadian market. There are literally hundreds of snack food products and flavors that are successfully marketed in the United States that Canadian consumers do not even know exist. The Reader can obtain a qualitative sense of the comparative situation by visiting <http://www.taquitos.net> which has posted reviews of more than 1,250 snack food products in 94 different categories⁹, including dozens of products and/or flavors that Canadian consumers cannot even imagine, let alone buy.

This phenomenon, i.e. the comparative lack of choice and selection in snack foods in Canada, is directly related

⁹ One of which is devoted to "Canadian" chips

to Canada's vast geography and relatively small population. The former makes distribution and marketing a challenge, while the latter tends to make niche products unviable. Imagine a niche snack food product "X", where an economic batch quantity is 10,000 units. To introduce and sell this quantity in a country with 1/10th the population of the United States, one has to capture *ten times the market share* as would be the case if the product was introduced in the U.S. For this reason, Canadian snack food manufacturers are reluctant to experiment with niche products and, in turn, this reluctance affords American snack food manufacturers that wish to introduce a niche product a measure of protection from domestic competition.

On the other hand, unless a U.S. company is already selling snack food "X" in commercially-viable quantities in the United States, it may not make sense to consider entering the Canadian market. One of the main competitive advantages for an American manufacturer lies in being able to view Canada as a source of *incremental sales*, which lessens the pressure to sell in aggressive quantities.

In summary, the suggested precondition for a U.S. snack food manufacturer to consider entering the Canadian market is:

Manufactures a niche snack food product/flavor that is not available in Canada, but is profitable on a full cost-absorption basis in the United States.

U.S. snack food manufacturers that meet this criterion have an excellent of achieving success exporting to Canada where, to reiterate, consumers are eager to embrace new snack food brands and flavor varieties, the competitive environment is favorable, and incremental profits can be realized.

Strategies

Evaluation Phase

Determine whether you are export-ready

- Have you identified which of your products are most suited for export?
- Do you have extra production capacity?
- Do you have the necessary human resources to commit to developing the Canadian market?
- Are you prepared to assign a key person to be the internal "champion" responsible for developing the Canadian market on your firm's behalf?
- Do you have the financial resources to commit to developing and then maintaining an entry into the market?
- Are there competing demands for the firm's cash flow which will be hurt by the diversion of resources into the development of the Canadian market?

Undertake some basic market research

- Do you know what ten-digit HS-code applies to your product?
- Are there any products similar to those you intend to export already being sold in Canada?

Establish a proposed positioning for your product

- Do you want to launch nationally, regionally, or even in one of Canada's cities?

- What distribution outlets do you intend to target?
- What is your USP (unique selling proposition)?

Familiarize yourself with Canadian regulatory requirements¹⁰

- How will you handle Canadian labeling regulations, which require, among other things, that packaging be bilingual (French & English)?
- What about the U.P.C. (bar) code?

Contact the State Regional Office representing the various State Departments of Agriculture

- Are you eligible for support in the form of the Foreign Agricultural Service (FAS) Market Access Program (MAP) funds?

Begin the process of finding suitable representation

- Have you contacted the Foreign Agricultural Service (www.fas.usda.gov) at the United States Embassy in Canada (www.usembassycanada.gov)? A program for U.S. export ready companies called “Canada Connect” helps match prospective exporters with the suitable Canadian business entities (agents/distributors/brokers/buyers) and ensure an accurately expedited entry into Canada.
- Have you been in touch with the International division of the Association of Sales and Marketing Companies (ASMC)? This organization will provide listings of broker members, as well as assistance distributing your broker needs to its members within Canada.
- What about the Canadian Importers Database? This database, which is searchable by HS Code to the ten-digit level, provides the coordinates of the leading Canadian importers by product category, and is available on-line at http://www.strategis.gc.ca/sc_mrkti/cid/engdoc/index.html
- Have you explored other possible sources of lists? Other sources include e.g. the Yellow Pages for each City (or on-line at <http://www.yellowpages.ca>) and the Thomas Food & Beverage Market Place¹¹, whose database includes 1848 Canadian companies.

Suggested Implementation Phase

Contact the recommended agents/distributors/brokers/buyers to initiate discussions about their interests and capabilities in relation to the opportunity to handle the product(s). If, after discussions with representatives, it becomes clear that the “fit” is not ideal; there should nevertheless be further conversation to gather market information and recommendations about other companies that might be better positioned to handle the product(s). Try to develop a “short-list” of qualified wholesalers/distributors/brokers who are best-suited to handle the product(s), and who are interested in doing so.

¹⁰ Comprehensive information pertaining to safety, quality, composition, labeling requirements and inspection procedures for agrifood products imported into Canada is available on the web site of the Canadian Food Inspection Agency (CFIA). Summary information on Canadian regulatory requirements has been included in Appendix B of this Report.

¹¹ <http://www.tfir.com>

Prepare an Export Business Plan. While there are many ways to go about preparing such a plan, all have the same basic components. Preparation is usually approached in steps:

- a comprehensive description of your current situation and capabilities, identifying competitive, financial, and technical strengths and weaknesses.
- a description of the Canadian market as it pertains to the product(s) you intend to export, the selected distribution outlets, the geographical focus, and competition; leading to establishment of clear market objectives which reflect what is reasonably attainable in the market, and which can be supported by the company's resources (identified in step 1).
- a summary of operational issues such as planning promotion & media opportunities, identifying logistics and customs considerations, identifying financial aspects, planning business trips and trade fair participation, selecting a manufacturers' agent or distributor, and isolating taxation and legal issues associated with operating in Canada.
- a development component, which addresses how to adapt your products to the Canadian market, how to organize yourself for exporting, and ensuring that needed human resources are available.
- a marketing strategy component, which speaks to the market entry strategies and promotional programs which are expected to position the product(s) and the company for success.

Appendix A

Corn Chips & similar savory products (corn snacks, tortilla/tostada chips)

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹² (Cdn. \$)		\$600,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$365,000,000
Estimated actual size of Canadian market as % projection		60.8%
Sales through food stores (Cdn. \$)		\$190,000,000
Sales through all other outlets combined (Cdn. \$)		\$175,000,000
Food store market share		52.1%
All other outlet market share		47.9%
Compound annual growth of sales through food stores		11.1%
Compound annual growth of sales through all other outlets		4.8%
Imports (HS1905909010)		
Imports from the United States (Cdn. \$)		\$43,549,178
Imports from ROW (Cdn. \$)		\$1,802,487
United States share of imports		96%
ROW share of imports		4%
Compound annual growth of imports from the United States		34.7%
Compound annual growth of imports from ROW		13.3%
Leading Importers:	Northbud Distributors	
Ameriserve of Canada Ltd.	Pillsbury	
Frito Lay	Puresource Inc.	
Horizon Distribution	Quaker Oats	
Loblaws	Trophy Foods	
Nabisco	Westfair Foods	
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Doritos, 300G, \$2.50, Tostitos, 300G, \$2.49, Fritos, 300G, \$2.50, Humpty Dumpty Nachos Chips, 190G, \$1.50, President’s Choice (Loblaw) Tortilla Chips, 340G, \$1.99, Torengos, 159G, \$2.29, Old El Paso Tortilla Chips, 340G, \$1.99		

¹² If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Cheese Snacks

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹³ (Cdn. \$)		\$125,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$100,000,000
Estimated actual size of Canadian market as % projection		80.0%
Sales through food stores (Cdn. \$)		\$60,000,000
Sales through all other outlets combined (Cdn. \$)		\$40,000,000
Food store market share		60.0%
All other outlet market share		40.0%
Compound annual growth of sales through food stores		7.5%
Compound annual growth of sales through all other outlets		12.8%
Imports (HS1905907110)		
Imports from the United States(Cdn. \$)		\$349,926
Imports from ROW (Cdn. \$)		\$527
United States share of imports		100%
ROW share of imports		0%
Compound annual growth of imports from the United States		n/a
Compound annual growth of imports from ROW		n/a
Leading Importers:	North American Tea Coffee & Herbs Trading Co.	
BEC Trading	Preisco Foods	
Frito Lay	Provigo Distribution	
Loblaws	Westfair Foods	
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Crispers, 200G, \$2.29, Crispers, 200G, \$1.99, Chee-tos, 255G, \$1.99, Humpty Dumpty Cheese Sticks, 320G, \$2.49		

¹³ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Pretzels

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹⁴ (Cdn. \$)		\$130,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$68,000,000
Estimated actual size of Canadian market as % projection		52.3%
Sales through food stores (Cdn. \$)		\$25,000,000
Sales through all other outlets combined (Cdn. \$)		\$43,000,000
Food store market share		36.8%
All other outlet market share		63.2%
Compound annual growth of sales through food stores		5.7%
Compound annual growth of sales through all other outlets		1.8%
Imports (HS1905906200, 1905906300, 1905906900)		
Imports from the United States(Cdn. \$)		\$16,800,117
Imports from ROW (Cdn. \$)		\$320,438
United States share of imports		98.13%
ROW share of imports		1.9%
Compound annual growth of imports from the United States		22.0%
Compound annual growth of imports from ROW		3.5%
Leading Importers:	John Vince Foods	
Bulk Barn Foods	Krack-O-Pop	
Canada Safeway	Neal Brothers	
Culinar (Dare)	Old Dutch Foods	
De-Roma Imports	Primeline Food Partners	
Effem	The Great Atlantic & Pacific Co.	
Exclusive Candy & Novelty Distributing	Trophy Foods	
Hahamovitch Kosher Imports		
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Club Supreme pretzels, 226G, \$0.79		

¹⁴ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Potato Chips & Sticks

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹⁵ (Cdn. \$)		\$600,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$490,000,000
Estimated actual size of Canadian market as % projection		81.7%
Sales through food stores (Cdn. \$)		\$335,000,000
Sales through all other outlets combined (Cdn. \$)		\$155,000,000
Food store market share		68.4%
All other outlet market share		31.6%
Compound annual growth of sales through food stores		4.6%
Compound annual growth of sales through all other outlets		13.0%
Imports (HS2005200020, 2005200090)		
Imports from the United States(Cdn. \$)		\$95,007,554
Imports from ROW (Cdn. \$)		\$1,257,566
United States share of imports		98.7%
ROW share of imports		1.3%
Compound annual growth of imports from the United States		8.9%
Compound annual growth of imports from ROW		-0.5%
Leading Importers:	Loblaws	
Frito Lay	Nalley''s	
General Mills	Proctor & Gamble	
Idaho Fresh-Pak	Quali-Snack Distribution	
J.M. Schneider		
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Pringles, 170G, \$1.29, Humpty Dumpty, 170G, \$0.89, Kettle Chips, 150G, \$1.99, Lays, 270G, \$1.49-\$1.66, Lays, 410G, \$2.47, Maine Coast, 170G, \$1.69, No Name (Loblaws), 270G, \$1.47, Option+ (private label), 170G, \$0.59, Ruffles, 270G, \$1.50, Spudz, 142G, \$2.50, Yum Yum, 270G, \$1.50, Maple Leaf, 300G, \$1.99		

¹⁵ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Popcorn

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹⁶ (Cdn. \$)		\$215,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$130,000,000
Estimated actual size of Canadian market as % projection		60.5%
Sales through food stores (Cdn. \$)		\$90,000,000
Sales through all other outlets combined (Cdn. \$)		\$40,000,000
Food store market share		69.2%
All other outlet market share		30.8%
Compound annual growth of sales through food stores		8.5%
Compound annual growth of sales through all other outlets		3.7%
Imports (HS2106904020, 1005900091)		
Imports from the United States(Cdn. \$)		\$65,793,525
Imports from ROW (Cdn. \$)		\$18,257
United States share of imports		100.0%
ROW share of imports		0.0%
Compound annual growth of imports from the United States		3.5%
Compound annual growth of imports from ROW		n/a
Leading Importers: 3523454 Canada Inc. American Popcorn Famous Players Food Producers Frito Lay Greene Valley Concessions	Harlan Fairbanks Krack-O-Pop Metropolitan Popcorn Super-Pufft Snacks W.G. Thompson & Sons W.H. Escott	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): Redenbacher's, 250G, \$1.99, President's Choice (Loblaw), 594G, \$2.49		

¹⁶ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Cookies, Graham Wafers

Key Comparisons and Indicators	2002 FC
Projected size of Canadian market ¹⁷ (Cdn. \$)	\$740,000,000
Estimated actual size of Canadian market (Cdn. \$)	\$696,000,000
Estimated actual size of Canadian market as % projection	94.1%
Sales through food stores (Cdn. \$)	\$592,000,000
Sales through all other outlets combined (Cdn. \$)	\$104,000,000
Food store market share	85.2%
All other outlet market share	14.8%
Compound annual growth of sales through food stores	2.2%
Compound annual growth of sales through all other outlets	3.5%
Imports (HS190531)	
Imports from the United States(Cdn. \$)	\$94,124,978
Imports from ROW (Cdn. \$)	\$68,402,589
United States share of imports	57.9%
ROW share of imports	42.1%
Compound annual growth of imports from the United States	7.7%
Compound annual growth of imports from ROW	2.4%
Leading Importers: Canadian Importers Database not updated (as at November, 2002) to reflect change in HS Code affecting this product category.	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): Graham Wafers, 400G, \$2.59, Oreo, 350G, \$1.99, Fudgee-O, 350G, \$1.99, Choco-Quattro, 350G, \$1.67, Dare Chocolate Fudge, 350G, \$1.99, Café Musica (Griesson) assortment, 500G, \$6.99, 1Kg, \$9.99, Metro-Richelieu house brand assortment, 350G, \$1.99, Peek Freens Christmas Tin, 600G, \$6.97, President's Choice (Loblaw) Luxury Biscuit Assortment, 1Kg, \$10.99	

¹⁷ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Snack Crackers

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹⁸ (Cdn. \$)		\$400,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$373,000,000
Estimated actual size of Canadian market as % projection		93.3%
Sales through food stores (Cdn. \$)		\$261,000,000
Sales through all other outlets combined (Cdn. \$)		\$112,000,000
Food store market share		70.0%
All other outlet market share		30.0%
Compound annual growth of sales through food stores		6.2%
Compound annual growth of sales through all other outlets		6.2%
Imports (HS1905901000, 1905904100, 1905904290, 1905904390, 1905904400, 1905904590, 1905904990)		
Imports from the United States(Cdn. \$)		\$52,042,355
Imports from ROW (Cdn. \$)		\$15,655,041
United States share of imports		76.9%
ROW share of imports		23.1%
Compound annual growth of imports from the United States		11.7%
Compound annual growth of imports from ROW		5.3%
Leading Importers:	General Mills	
Apo Products	Kraft	
Bright Cheese House	Loblaws	
Campbell Soup	Nabisco	
Dan-D Foods	National Importers	
Dare Foods	Supreme Foods	
Elco Fine Foods	Tree of Life	
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Breton, 250G, \$1.99, Breton, 875G, \$6.89, Krak-O-Pop, 350G, \$1.29, Goldfish, 200G, \$1.99, Ritz, 300G, \$1.97, Ritz, 450G, \$1.99, Christie Vegetable Thins, 200G, \$1.97, Maria Tea Biscuits, 760G, \$1.89, President's Choice (Loblaw) Snack Crackers, 200G, \$1.79		

¹⁸ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Soda Crackers

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ¹⁹ (Cdn. \$)		\$90,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$81,000,000
Estimated actual size of Canadian market as % projection		90.0%
Sales through food stores (Cdn. \$)		\$66,000,000
Sales through all other outlets combined (Cdn. \$)		\$15,000,000
Food store market share		82.0%
All other outlet market share		18.0%
Compound annual growth of sales through food stores		-1.9%
Compound annual growth of sales through all other outlets		-1.9%
Imports (HS1905904210, 1905904310, 1905904510, 1905904910)		
Imports from the United States(Cdn. \$)		\$9,685,197
Imports from ROW (Cdn. \$)		\$3,645,611
United States share of imports		72.7%
ROW share of imports		27.3%
Compound annual growth of imports from the United States		7.5%
Compound annual growth of imports from ROW		34.6%
Leading Importers:	Loblaw Brands	
Grace, Kennedy Inc.	Loblaws Inc.	
Kofman-Barenholtz Foods	Supreme Foods	
Pricing examples extracted from sales circulars (Dec 1-14, 2002):		
Christie Premium Plus, 454G, \$1.79, Premium Plus, 454G, \$2.29, Premium Plus, 454G, \$2.49, Irresistable (Metro-Richelieu), 454G, \$1.59, SuperC private label, 450G, \$1.29		

¹⁹ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Rusks, Crispbreads, etc.

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market (Cdn. \$)		n/a
Estimated actual size of Canadian market (Cdn. \$)		\$43,000,000
Estimated actual size of Canadian market as % projection		n/a
Sales through food stores (Cdn. \$)		\$34,400,000
Sales through all other outlets combined (Cdn. \$)		\$8,600,000
Food store market share		80.0%
All other outlet market share		20.0%
Compound annual growth of sales through food stores		2.0%
Compound annual growth of sales through all other outlets		2.0%
Imports (HS190510, 190520, 190540)		
Imports from the United States(Cdn. \$)		\$19,576,452
Imports from ROW (Cdn. \$)		\$11,825,505
United States share of imports		62.3%
ROW share of imports		37.7%
Compound annual growth of imports from the United States		5.3%
Compound annual growth of imports from ROW		-3.2%
Leading Importers: Adriano Bertozzi Importing Agropur Food Cooperative Aurora Importing & Distributing Campbell Soup Company Canada Safeway Casco Commercialcrissa International Food Corporation Elco Fine Foods European Distribution Excelsior Foods Falesca Importing Gibbons Foods Husky Food Importers & Distributors I-D Foods Inter Bec Agencies Italfina Italpasta Jan K Overweel Ltd.	Kasseler Food Products Linsey Foods Marchese Import Company Mauro Foods Molisana Imports Nabisco National Importers Neate/Roller Ltd. Nipissing Div. North American Tea Coffee & Herbs Trading Co. Provigo Distribution S & F Food Importers Sa-G ER Food Products Star Marketing Tree Of Life Trophy Foods Valli Foods Westfair Foods	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): Grissol Canapé Toast, 150G, \$1.49, Melba Toast, 375G, \$2.99, Melba Toast, 400G, \$2.69, Rusks, 250G, \$2.29, Ryvita, 200G, \$1.69		

Pizza Snacks

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market (Cdn. \$)		n/a
Estimated actual size of Canadian market (Cdn. \$)		\$119,000,000
Estimated actual size of Canadian market as % projection		n/a
Sales through food stores (Cdn. \$)		\$101,000,000
Sales through all other outlets combined (Cdn. \$)		\$18,000,000
Food store market share		85.0%
All other outlet market share		15.0%
Compound annual growth of sales through food stores		10.0%
Compound annual growth of sales through all other outlets		10.0%
Imports ²⁰ (HS1905905110)		
Imports from the United States(Cdn. \$)		\$84,258,672
Imports from ROW (Cdn. \$)		\$81,651
United States share of imports		99.9%
ROW share of imports		0.1%
Compound annual growth of imports from the United States		26.4%
Compound annual growth of imports from ROW		71.7%
Leading Importer: Kraft Foods		
Pricing examples extracted from sales circulars (Dec 1-14, 2002): Pizza Pockets, 400G, \$1.99, Pizza Pockets, 400G, \$2.47, Bagel Bites, 882G, \$10.49		

²⁰ Includes pizza meals as well as pizza snacks. An estimated \$55 million or 70% of imports are actually meals, not snacks

Snack Nuts

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ²¹ (Cdn. \$)		\$225,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$215,000,000
Estimated actual size of Canadian market as % projection		95.6%
Sales through food stores (Cdn. \$)		\$80,000,000
Sales through all other outlets combined (Cdn. \$)		\$135,000,000
Food store market share		37.2%
All other outlet market share		62.8%
Compound annual growth of sales through food stores		15.5%
Compound annual growth of sales through all other outlets		4.1%
Imports ²² (HS080211, 080212, 080221, 080222, 080231, 080232, 080240, 080250, 080290, 200819, 200819000, 2008112000, 120220, 120210)		
Imports from the United States(Cdn. \$)		\$225,798,711
Imports from ROW (Cdn. \$)		\$75,572,307
United States share of imports		74.9%
ROW share of imports		25.1%
Compound annual growth of imports from the United States		-0.1%
Compound annual growth of imports from ROW		1.9%
Leading Importers:	David Roberts Foods	Nutco Inc.
All Gold Imports	Golden Boy Foods	PR International Ingredients
ASG S. Guadagno	John Vince (JVF) Foods	Preisco Foods
Aurora Importing & Distributing	John Vince Foods	Sass Foods
Balcorp	Krispy Kernels	Teda Enterprises
Bulk Barn Foods	Lalumièrè Foods	Totally Nuts & More
Compass Food Sales	Lamentia Garcia Produce	Trophy Foods
Costco	Lekiu Importing	Westfair Foods
Dan-D Foods	M.B. Marketing	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): Blue Diamond Almonds, 170G, \$3.29, Almonds, 1000G, \$6.59, President's Choice (PC) Deluxe Mixed Nuts, 300G, \$4.99, Krispy Kernels Dry Roasted Peanuts, 325G, \$2.79, Hazelnuts in Shell, 450G, \$2.99, Diamond In-shell Nuts, 454G, \$3.49, Large Cashews, 1000G, \$11.00, PC Macadamia Nuts, 300G, \$5.99, Mauna Loa, Macadamia Nuts, 300G, \$6.99, Mediterranean Mix, 1000G, \$6.59, Mixed Nuts in Shell, 450G, \$2.99, PC Choice Nut Collection, 820G, \$12.99, PC Peanuts, 300G, \$2.99, Krispy Kernels Peanuts, 600G, \$2.99, Krispy Kernels Peanuts, 400G, \$2.50, Pistachios, 1000G, \$6.59, PC Roasted Whole Cashews, 300G, \$5.99, PC Roasted Peanuts, 680G, \$3.49, Lalumièrè Salted Blanched peanuts, 1000G, \$3.79, Lalumièrè Salted Cashews, 400G, \$7.99, Lalumièrè Salted Mixed Nuts, 300G, \$4.99, Walnuts in Shell, 1000G, \$4.39, Walnuts in Shell, 450G, \$2.99, PC whole mixed nuts, 880G, \$9.99		

²¹ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

²² Includes nuts used for cooking and for manufacturing e.g. peanut butter, as well as snack nuts

Sunflower Seeds

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ²³ (Cdn. \$)		\$14,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$9,000,000
Estimated actual size of Canadian market as % projection		64.3%
Sales through food stores (Cdn. \$)		\$4,500,000
Sales through all other outlets combined (Cdn. \$)		\$4,500,000
Food store market share		50.0%
All other outlet market share		50.0%
Compound annual growth of sales through food stores		10.9%
Compound annual growth of sales through all other outlets		7.7%
Imports (HS1206000031)		
Imports from the United States(Cdn. \$)		\$1,647,047
Imports from ROW (Cdn. \$)		\$203,447
United States share of imports		89.0%
ROW share of imports		11.0%
Compound annual growth of imports from the United States		-5.4%
Compound annual growth of imports from ROW		11.0%
Leading Importers: Aliments Krispy Kernels CIB International Trading Frito Lay	Grain Process Enterprises John Vince Foods Simply Candy Limited	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): n/a		

²³ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Meat Snacks

Key Comparisons and Indicators		2002 FC
Projected size of Canadian market ²⁴ (Cdn. \$)		\$250,000,000
Estimated actual size of Canadian market (Cdn. \$)		\$130,000,000
Estimated actual size of Canadian market as % projection		52.0%
Sales through food stores (Cdn. \$)		\$70,000,000
Sales through all other outlets combined (Cdn. \$)		\$60,000,000
Food store market share		53.8%
All other outlet market share		46.2%
Compound annual growth of sales through food stores		63.5%
Compound annual growth of sales through all other outlets		12.0%
Imports (HS1601009094)		
Imports from the United States(Cdn. \$)		\$13,581,764
Imports from ROW (Cdn. \$)		\$0
United States share of imports		100.0%
ROW share of imports		0.0%
Compound annual growth of imports from the United States		-2.0%
Compound annual growth of imports from ROW		n/a
Leading Importers: Goodlife Brands Northbud Distributors	N.B. Bessin Corporation and Bridgford Foods, both of Chicago, Illinois, handle their own imports	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): n/a		

²⁴ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

Pork Rinds

Key Comparisons and Indicators	2002 FC
Projected size of Canadian market ²⁵ (Cdn. \$)	\$70,000,000
Estimated actual size of Canadian market (Cdn. \$)	\$35,000,000
Estimated actual size of Canadian market as % projection	50.0%
Sales through food stores (Cdn. \$)	\$18,000,000
Sales through all other outlets combined (Cdn. \$)	\$17,000,000
Food store market share	51.4%
All other outlet market share	49.6%
Compound annual growth of sales through food stores	23.8%
Compound annual growth of sales through all other outlets	25.3%
Imports (HS)	
Imports from the United States(Cdn. \$)	n/a
Imports from ROW (Cdn. \$)	n/a
United States share of imports	n/a
ROW share of imports	n/a
Compound annual growth of imports from the United States	n/a
Compound annual growth of imports from ROW	n/a
Leading Importers: n/a	
Pricing examples extracted from sales circulars (Dec 1-14, 2002): n/a	

²⁵ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

All Other Snack Products NES

Key Comparisons and Indicators	2002 FC
Projected size of Canadian market ²⁶ (Cdn. \$)	\$290,000,000
Estimated actual size of Canadian market (Cdn. \$)	\$170,000,000
Estimated actual size of Canadian market as % projection	58.6%
Sales through food stores (Cdn. \$)	\$105,000,000
Sales through all other outlets combined (Cdn. \$)	\$65,000,000
Food store market share	61.8%
All other outlet market share	38.2%
Compound annual growth of sales through food stores	11.2%
Compound annual growth of sales through all other outlets	-9.6%
Imports (HS various)	
Imports from the United States(Cdn. \$)	n/a
Imports from ROW (Cdn. \$)	n/a
United States share of imports	n/a
ROW share of imports	n/a
Compound annual growth of imports from the United States	n/a
Compound annual growth of imports from ROW	n/a
Leading Importers: n/a	
Pricing examples ²⁷ extracted from sales circulars (Dec 1-14, 2002): Seneca Apple Chips, 85G, \$1.99, Nutri-Grain Cereal Bars, 295G, \$2.49, Nibblers Cheese Sticks, 105G, \$1.49, Nibblers Cheese Sticks, 210G, \$2.49, Dipps Chewy Bar, 206G, \$1.65, Zone Energy Bars, 50G, \$1.99, Instant Noodle Snack, 65G, \$0.75, Humpty Dumpty Party Mix, 908G, \$4.99, Cheerios Snack Mix, 200G, \$1.99, Bits&Bites Snack Mix, 225G, \$1.99, Cheerios Snack Mix, 200G, \$1.75, Lalumiere Trail Mix, 425G, \$3.69	

²⁶ If projected based on U.S. consumption data from the Snack Food Association adjusted for the difference in population between the two Countries and ignoring comparative currency values

²⁷ Not all products listed are actually included in the snack product NES category, but should nevertheless be of interest to a Reader of this Report.

Appendix B

Leading Canadian Importers of Snack Food Products

Company Name & Address	Area	Telephone
3523454 Canada Inc., Ste-Hyacinthe, Quebec, J2S 8P3	450	771-7071
Adriano Bertozzi Importing, Mississauga, Ontario, L5S 1N6	905	319-0985
Agropur Food Cooperative, Granby, Quebec, J2G 7G2	514	392-6500
All Gold Imports, North York, Ontario, M3N 1H5	416	740-9666
American Popcorn, Edmonton, Alberta, T5S 2H5	877	777-5676?
Ameriserve of Canada, Ltd., Mississauga, Ontario, L5R 3K5	905	Chapter11
Apo Products, Scarborough, Ontario, M1V 2W2	416	321-5412
ASG S. Guadagno, St. Hubert, Quebec, J3Y 8T3	450	534-0303
Aurora Importing & Distributing, Mississauga, Ontario, L5S 1P2	905	670-1855
Balcorp, Westmount, Quebec, H3Z 1A7	514	939-0909
BEC Trading, Aurora, Ontario, L4G 3G8	905	727-4366
Bright Cheese House, Woodstock, Ontario, M8V 2B8	519	537-2361
Bulk Barn Foods, Markham, Ontario, L3R 2Z5	705	446-9995
Campbell Soup, Etobicoke, Ontario, M8V 2B8	416	251-1131
Canada Safeway, Calgary, Alberta, T2E 7V8	403	730-3500
Casco, Cardinal, Ontario, K0E 1E0	613	657-3131
CIB International Trading, Montréal, Quebec, H3X 2K7	514	Not Found
Commercialcrissa International Food Corporation, Etobicoke, Ontario, M9W 4M5	416	249-2355
Compass Food Sales, Aurora, Ontario, L4G 4C3	905	713-0167
Costco, Laval, Quebec, H7P 4P7	450	383-2226
Culinar, Montreal, Quebec, H5B 1B2	800	265-8225
Dan-D Foods, Richmond, British Columbia, V7A 4V1	604	274-3263
Dare Foods, Kitchener, Ontario, N2C 1A6	519	893-5500
David Roberts Foods, Mississauga, Ontario, L4Z 1X2	905	502-7700
De-Roma Imports, Laval, Quebec, H7L 3R9	450	629-7689
Effem, Newmarket, Ontario, L3Y 7B3	905	857-5700
Elco Fine Foods, Richmond Hill, Ontario, L4B 1G5	905	731-7337
European Distribution, Saint-Léonard, Quebec, H1P 1W3	514	327-1656
Excelsior Foods, Woodbridge, Ontario, L4L 8N6	416	740-8500
Exclusive Candy & Novelty Distributing, Mississauga, Ontario, L4X 2G1	905	238-8788
Falesca Importing, North Vancouver, British Columbia, V7H 1S1	604	929-5711
Famous Players, Toronto, Ontario, M5S 2X2	416	969-7800
Food Producers, Tilbury, Ontario, N0P 2L0	519	682-1331
Frito Lay, Cambridge, Ontario, N3H 4T7	519	653-5721
General Mills, Mississauga, Ontario, L4W 5K2	905	212-4000
Gibbons Foods, Toronto, Ontario, M8Z 2T2	416	231-4005
Golden Boy Foods, Burnaby, British Columbia, V5J 5J1	604	433-2200
Goodlife Brands, Calgary, Alberta, T2B 2S6	403	912-4630

Grace, Kennedy Inc., Richmond Hill, Ontario, L4B 1J4	905	886-1002
Grain Process Enterprises, Scarborough, Ontario, M1S 3M7	416	291-3226
Greene Valley Concessions, Winnipeg, Manitoba, R2R 0N6	204	697-1779
Hahamovitch Kosher Imports, Montreal, Quebec, H4S 1S5	514	334-4750
Harlan Fairbanks, Surrey, British Columbia, V4A 1E7	604	525-0400
Horizon Distribution, Burnaby, British Columbia, V5A 2H3	604	420-6751
Husky Food Importers & Distributors, Woodbridge, Ontario, L4L 7Y3	905	850-8288
I-D Foods, Etobicoke, Ontario, M9W 5T9	416	679-0833
Idaho Fresh-Pak, Calgary, Alberta, T2P 3C5	800	635-6100
Inter Bec Agencies, Piedmont, Quebec, J0R 1K0	450	Not Found
Italfina, Concord, Ontario, L4K 4R8	905	879-9656
Italpasta, Brampton, Ontario, L6T 5A9	416	798-7154
J.M. Schneider, Kitchener, Ontario, N2G 3X8	519	741-5000
Jan K Overweel Ltd., Etobicoke, Ontario, M8X 2X1	905	850-9010
John Vince (JVF) Foods , North York, Ontario, M3J 2Z6	416	636-6146
Kasseler Food Products, Mississauga, Ontario, L4W 3R7	905	629-2142
Kofman-Barenholtz Foods, Concord, Ontario, L4K 1A9	905	669-5393
Krack-O-Pop, Anjou, Quebec, H1J 1A6	514	354-4157
Kraft, North York, Ontario, M3B 3L6	416	441-5000
Krispy Kernels, Ste-Foy, Quebec, G1P 3T5	418	658-4640
Lalumiere Foods, Montreal, Quebec, J4N 1G8	450	646-3535
Lamentia Garcia produce, Etobicoke, Ontario, M8Y 1H8	416	251-6676
Lekiu Importing, Vancouver, British Columbia, V6B 3Z6	604	681-6111
Linsey Foods, Markham, Ontario, L3R 0J3	905	940-3850
Loblaw Brands, Toronto, Ontario, M4T 2S8	416	922-8500
Loblaws Inc., North York, Ontario, M2M3X4	888	495-5111
M.B. Marketing, Vancouver, British Columbia, V6A 1A7	604	Not Found
Marchese Import Company, Mississauga, Ontario, L5T 2K7	905	564-1804
Mauro Foods, Concord, Ontario, L4K 2M7	905	761-7353
Metropolitan Popcorn, St-Hubert, Quebec, J3Y 3V3	450	Not Found
Molisana Imports, North York, Ontario, M9L 2W5	416	747-8707
Nabisco, Etobicoke, Ontario, M8Y 3H8	416	253-3200
Nalley's, Vancouver, British Columbia, V6B 3Y1	604	654-8300
National Importers, Delta, British Columbia, V3M 6K2	604	520-1555
National Importers, Delta, British Columbia, V3M 6K2	604	520-1555
Neal Brothers, Concord, Ontario, L4K 4A9	905	738-7955
Neate/Roller Ltd., Mississauga, Ontario, L4V 1L8	416	213-7411
Nipissing Div., Serca Foods, Sturgeon Falls, Ontario, P0H 2G0	705	753-4444
North American Tea, Coffee & Herbs Trading Co., Delta, British Columbia, V3K 5Z1	604	940-7861
Northbud Distributors, Mississauga, Ontario, L4Z 2E5	905	890-2468
Nutco Inc., Markham, Ontario, L6G 1C4	905	946-8277
Old Dutch Foods, Winnipeg, Manitoba, R2X 2Y5	204	632-0249
Pillsbury, Markham, Ontario, L3R 0M7	905	513-8500

PR International Ingredients, Laval, Quebec, H7G 4X7	450	Not Found
Preisco Foods, Coquitlam, British Columbia, V3K 5Z1	604	941-8502
Primeline Food Partners, Coquitlam, British Columbia, V3K 6V2	604	526-1788
Proctor & Gamble, North York, Ontario, M2N 6K8	416	730-4340
Provigo Distribution, Montreal, Quebec, H2M 2R9	514	323-0740
Puresource Inc., Guelph, Ontario, N1H 6J4	519	837-2140
Quaker Oats, Peterborough, Ontario, K9J 7B2	800	267-6287
Quali-Snack Distribution, Montreal, Quebec, H4T 1X4	514	344-5252
S & F Food Importers, Concord, Ontario, L4K 1B1	800	223-9423
Sa-G ER Food Products, Montréal, Quebec, H1E 5Y8	514	555-1212
Sass Foods, Toronto, Ontario, M5L 2T1	416	360-6611
Simply Candy Limited, London, Ontario, N6C 4Z9	519	681-1412
Star Marketing, Burnaby, British Columbia, V5A 2H5	604	888-4049
Super-Pufft Snacks, Mississauga, Ontario, L5S 1N8	905	564-1180
Supreme Foods, Concord, Ontario, L4K 2Y8	905	738-4204
Teda Enterprises, Markham, Ontario, L5T 2T1	905	944-1818
The Great Atlantic & Pacific Co., Etobicoke, Ontario, M9B 1B9	877	763-7374
Totally Nuts & More, Montreal, Quebec, H3B 4G4	514	397-1710
Tree of Life, Mississauga, Ontario, L5R 3X4	514	397-1710
Trophy Foods, Mississauga, Ontario, L5T 2T1	905	670-8050
Valli Foods, Montréal-Nord, Quebec, H1G 3K7	514	325-6794
W.G. Thompson & Sons, Blenheim, Ontario, N0P 1A0	519	676-0713
W.H. Escott, Winnipeg, Manitoba, R3B 2Y5	204	942-5127
Westfair Foods, Calgary, Alberta, T2P 2H9	416	922-8506

Appendix C

Regulations

In order to enter the Canadian market U.S. exporters must be armed with information on Canadian standards and regulations. Agents, distributors, brokers, and importers are often the best first line of communication and can lead companies through the regulatory import process.

U.S. exporters encounter a number of federal acts and regulations that govern the importation of food into Canada. It is a shared responsibility of several federal agencies. The primary federal agencies involved are the Canadian Food Inspection Agency and the Department of Foreign Affairs and International Trade.

The Canadian Food Inspection Agency (CFIA) provides all federal inspection services related to food safety, economic fraud, trade-related requirements, animal and plant disease and pest programs. The CFIA administers the following acts:

Food and Drug Act	Canada Agricultural Products Act
Meat Inspection Act	Consumer Packaging and Labelling Act
Plant Protection Act	Health of Animals Act
Administrative Monetary Penalties Act	Seed Act
Feed Act	Fertilizers Act
Canadian Food Inspections Act	Plant Breeder's Rights Act

The Food and Drug Act and Regulations is the primary legislation that applies to all food sold in Canada, whether imported or domestic. This legislation sets out minimum health and safety requirements, as well as provisions preventing fraud or deception (labeling, packaging, treatment, processing, sale and advertising).

Of particular importance to U.S. exporters are the Regulations covered under the Section 5.1 of the Food and Drugs Act (FDA) and Section 7 of the Consumer Packaging and Labeling Act (CPLA).

While federal responsibility for food inspection resides with the CFIA, other departments play a role in the regulation of food importation. The Department of Foreign Affairs and International Trade controls the importation of certain agricultural products through the application of the Export and Import Permits Act and Tariff Rate Quotas.

Ultimately, the best entry method depends on the food product and the sub-sector identified as appropriate for each food product. Each sub-sector is regulated by government and industry import policies and trade acts. Each U.S. export opportunity must be thoroughly investigated relative to the legislation that exists for the product requesting entry.

Find Us on the World Wide Web:

Visit FAS home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting. To access these reports click on "Commodities", then "Market Reports" and then "Attaché Reports". If you have the report number search Option 3, by inserting the AGR # in the appropriate field.

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Related FAS/Ottawa Reports

AGR#	Title of Report	Date
CA9142	Western Canada Retail Study	12/23/99
CA0001	Eastern Canada Retail Study	01/05/00
CA0135	Private Label Grocery Opportunities	09/11/00
CA1054	SIAL Montreal 2001 Evaluation	04/02/01
CA2001	Organic Food Industry Report	01/04/02
CA2002	Convenience & Non-Traditional Grocery Outlets Report	01/04/02
CA2048	Kosher Foods Market	09/20/02
CA2099	Food and Beverage Shows	08/19/02
CA2114	Canadian Food Brokers	09/30/02
CA2115	Vending Machine Food Distribution in Canada	10/24/02
CA2125	An Overview of Selected Segments of the Canadian Frozen Food Industry	10/24/02
CA2129	Canada Connect Matchmaker Program	11/07/02
CA2132	Marketing In Canada Handbook	11/18/02
CA3001	Canada Introduces Mandatory Nutrition Labeling	01/03/03